

CITY OF ABERDEEN
Grays Harbor County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. Annual Budget Should Be Amended Within The Fiscal Year Affected And Expenditures Should Be Limited To Appropriations

The prior audit report covering fiscal years 1991 and 1992 also addressed this budget issue.

The City of Aberdeen's budget for the year ended December 31, 1993, was amended on February 16, 1994. This amendment increased the appropriations for 15 city funds and departments.

These increased appropriations, as set forth by Ordinance No. 6049, arose from costs incurred in 1993 for which insufficient appropriations had been made. Since the city did not amend its 1993 budget until the following year, the city, in fact, made expenditures which were not appropriated during calendar year 1993.

Chapter 35.33 RCW does not authorize budget amendments after the fiscal year in which the expenditures are made.

In addition to this late budget amendment, in 1993 the city made expenditures from various funds that were in excess of appropriations in those years as follows:

<u>Fund</u>	<u>Authorized Appropriation</u>	<u>Actual Expenditure</u>	<u>Over Appropriation</u>
Museum	\$ 0	\$ 834	\$ (834)
Drug Enforcement	333,882	343,862	(9,980)
Urban Dev. Action	0	22,662	(22,662)
Hotel/Motel Tax	18,000	126,143	(108,143)

These overexpenditures by the city are contrary to the provisions of RCW 35.33.121 which states in part:

. . . the expenditures of city or town funds or the incurring of current liabilities on behalf of the city or town shall be limited to the following:

(1) The total amount appropriated for each fund in the budget for the current fiscal year

The untimely budget amendments and excess expenditures appear to have occurred due to the city's lack of adequately monitoring expenditures in relationship to the

appropriations as set forth in the budget.

Budgetary controls need to be monitored and compared to appropriations on a timely basis.

We recommend the City of Aberdeen maintain expenditures at or below authorized appropriations in compliance with state law and city council directives. Further, city officials should implement a system of controls which provides for the timely monitoring and comparison of expenditures and appropriations to enable the enactment of budget amendments within the fiscal year to which the budget applies.

2. Annual Financial Reports Should Be Prepared And Submitted Within The Prescribed Reporting Period

The city is required to prepare an annual financial report which presents the city's financial position and results of operations for each calendar year. The report should be submitted to the State Auditor's Office by May 30 of the following year. Aberdeen did not file its 1993 annual report until January 1995.

RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each fiscal year . . .

Such reports shall be prepared, certified, and filed . . . within one hundred fifty days after the close of each fiscal year.

Untimely financial reports restrict the access of financial information to the city council, the public, and state and federal agencies; it also delays the State Auditor's Office in compiling statistical and financial information required by the state legislature.

City management stated this situation arose again because they had not assigned a high priority to financial reporting.

We recommend the city ensure annual reports are submitted in a timely manner.

3. The City's Travel Policy Should Be Improved

The city's travel policy needs to be strengthened to ensure that excessive travel costs are not incurred by employees traveling on official business.

- a. The city's travel policy does not cover employee travel expenses which are paid by a consultant. However, our audit revealed that a consultant actually paid travel expenses for the meals, lodging, and airfare of several city employees. These travel expenses were subsequently claimed by and paid to the consultant, and charged to the Wynoochee Dam Project. Allowing a consultant to pay these expenses resulted in excessive travel costs being charged to the project as follows:

(1) The city paid the actual cost of all employee meal expenses claimed by the consultant, regardless of the amount. In many cases these meal costs exceeded the allowable limits established for employees by the city's travel policy.

(2) The city paid the actual cost of all employee lodging expenses claimed by the consultant, regardless of the amount. In addition, the city's travel policy does not include any provision for maximum allowable amounts to be reimbursed for lodging expenses incurred by city employees.

(3) The city paid the actual cost of all employee airfare expenses claimed by the consultant, regardless of the amount. The city did not determine whether the lowest possible airfare was obtained for this travel.

(4) The consultant charged the city a five percent administrative fee for all city employee travel expenses which were claimed for reimbursement. The city could save money by paying these expenses directly to travel vendors and employees.

(5) Two city employees claimed reimbursement for meal expenses which had already been claimed by and paid to the consultant. Excess meal costs were claimed as follows: (a) \$59.00 by the public works director; and (b) \$61.50 by the mayor.

- b. The employee travel form prescribed by the city's travel policy needs to be improved to indicate the time of day employees departed on and returned from travel. Since this information was not recorded on employee travel forms and was not evident from any other travel documents in the file, it was not possible for anyone reviewing these travel expenses to determine the number of meals each employee was entitled to on each trip. Thus, all city employee meal reimbursements included in this audit were made without verification to the individual's travel itinerary.

City of Aberdeen Resolution No. 1993-33 establishes the City of Aberdeen's policies and procedures for reimbursement of employee travel expenses and states in part:

Section I.A. Unless otherwise provided by law, the provisions of this resolution shall be applicable in reimbursing the travel and other necessary expenses of city officials and employees . . .

Section I.C. (1) Officers and employees are expected to exercise prudent judgment in incurring travel expenses on official City business. Excessive or unnecessary expenses shall not be approved or reimbursed . . .

Section II.B. Lodging expenses incurred on official City business shall be reimbursed on an actual expense basis, at the single rate, by receipt . . .

Section II.C.(1) If an employee is on authorized travel status and incurs meal expenses, the employee shall be reimbursed at the following rates:

Breakfast	\$6.00
Lunch	\$9.00
Dinner	\$15.00

Section II.F. Mileage, lodging, and other expenses may be claimed only by individual employees for individual expenditures . . .

Section III.A. Employees shall submit requests for travel reimbursement on forms prescribed by the Finance Department . . .

RCW 42.24.090 states in part:

No claim for reimbursement of any expenditures by officers or employees of any municipal corporation or political subdivision of the state for transportation, lodging, meals or any other purpose shall be allowed by any officer, employee or board charged with auditing accounts unless the same shall be presented in a detailed account . . .

We recommend the city:

- a. Revise its travel policy and travel form to ensure that excessive travel costs are not incurred by employees traveling on official business.
- b. Discontinue the practice of allowing a consultant to pay travel expenses on behalf of employees.
- c. Seek reimbursement from the public works director and the mayor for excess meal expenses claimed for travel associated with the Wynoochee Dam Project.